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This REORGANIZATION AND COMBINATION AGREEMENT, dated [], 2001 (this "Agreement"), is made by and among Liberty Mutual Holding Company, a Massachusetts mutual insurance holding company ("Liberty Mutual Holding Company"), Liberty Insurance Acquisition Corporation, a newly-formed Massachusetts stock property and casualty insurance company and wholly-owned subsidiary of Liberty Mutual Holding Company ("Liberty Insurance Acquisition Corp."), and Liberty Mutual Fire Insurance Company, a Massachusetts mutual property and casualty insurance company ("LMFIC"). Capitalized terms used in this Agreement are defined in Article I hereof.

WITNESSETH:

WHEREAS, LMFIC proposes to adopt a Plan of Reorganization under §175:19T of the Massachusetts General Laws pursuant to which LMFIC will reorganize to a stock insurance company (LMFIC as such, "Reorganized LMFIC"), subject to the terms and conditions set forth herein (the "LMFIC Reorganization");

WHEREAS, Liberty Insurance Acquisition Corp. will be a newly-formed Massachusetts stock property and casualty insurance company and a wholly-owned subsidiary of Liberty Mutual Holding Company, with no assets or liabilities, established for the sole purpose of merging with and into Reorganized LMFIC;

WHEREAS, immediately upon consummation of the LMFIC Reorganization, Liberty Insurance Acquisition Corp. shall merge with and into Reorganized LMFIC, with Reorganized LMFIC being the surviving entity, subject to the terms and conditions set forth herein (the "Combination");

WHEREAS, for United States federal income tax purposes, it is intended that the Combination will qualify as a reorganization under section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and that this Agreement is hereby adopted as a plan of reorganization for purposes of the Code; and

WHEREAS, the Board of Directors of each of Liberty Mutual Holding Company and LMFIC have approved this Agreement and the transactions contemplated hereby, and have determined that this Agreement and the transactions contemplated hereby are in the best interests of their respective Members.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants set forth herein and in reliance upon the representations, warranties, conditions and covenants contained herein, and intending to be legally bound hereby and thereby, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 Definitions. The following terms, when used in this Agreement, shall have the meanings set forth herein. The terms defined below, which may be used in their singular or plural forms, shall be deemed to refer to the singular or plural as the context requires.

"Agreement" shall mean this Reorganization and Combination Agreement.

"Applicable Law" shall mean any applicable order, law, regulation, rule, ordinance, order, writ, injunction, directive, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by any Governmental Entity applicable to the parties hereto, or any of their respective Subsidiaries, properties, or assets as the case may be.

"Board of Directors" shall mean, with respect to any Person, such Person's board of directors.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in Massachusetts are permitted or obligated by law to be closed for regular banking business.

"Closing" shall have the meaning set forth in Section 3.1.

"Closing Date" shall have the meaning set forth in Section 3.1.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commissioner" shall mean the Commissioner of Insurance for the Commonwealth of Massachusetts.

"Combination" shall mean the merger of Liberty Insurance Acquisition Corp. with and into Reorganized LMFIC, with Reorganized LMFIC being the surviving entity.

"Consent or Filing" shall have the meaning set forth in Section 4.3.

"Effective Date" shall have the meaning set forth in Section 2.5.

"EIOW" shall mean EMPLOYERS INSURANCE OF WAUSAU A Mutual Company, a Wisconsin property and casualty mutual insurer.

"EIOW MHC" shall mean Employers Insurance of Wausau Mutual Holding Company, a Wisconsin mutual holding company.

"Equity Rights" shall mean uncertificated rights in the equity of LMFIC or Liberty Mutual Holding Company, as applicable, conferred by law, including: (i) the right to vote for the election of directors at annual meeting of LMFIC or Liberty Mutual Holding Company, as applicable; (ii) rights to share in any distribution of, or to receive consideration based upon, the policyholder surplus of LMFIC or Liberty Mutual Holding Company, as applicable, in liquidation, dissolution or otherwise under the articles of organization or bylaws of LMFIC or Liberty Mutual Holding Company, as applicable, or otherwise as provided by law; and (iii) rights to dividends as, if and when determined by the Board of Directors of LMFIC or Liberty Mutual Holding Company, as applicable.

"Financial Statements" shall mean the balance sheet, statements of income, statements of policyholders' surplus, statement of cash flows and accompanying notes to financial statements.

"GAAP" shall mean generally accepted accounting principles in effect in the United States of America.

"Governmental Entity" shall mean any domestic, foreign, federal, state or local governmental authority, quasi-governmental authority, instrumentality, court or government, commission, body or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations promulgated thereunder.

"In Force" with respect to a Policy, shall mean on a given day if it has been issued, has not been cancelled and its stated Policy term has not expired.

"Insurance License" shall mean a license, certificate of authority, permit or other authorization granted by a Governmental Entity to transact an insurance business.

"IRS" shall mean the United States Internal Revenue Service.

"Knowledge" shall mean the actual knowledge of the relevant Person, and in the instance of a corporate Person, the actual knowledge of its executive officers.

"Liability" shall mean a liability, obligation, claim or cause of action (of any kind or nature whatsoever, whether absolute, accrued, contingent or other and whether known or unknown).

"Liberty Insurance Acquisition Corp." shall mean Liberty Insurance Acquisition Corporation, a newly-formed Massachusetts stock property and casualty insurance company and wholly-owned subsidiary of Liberty Mutual Holding Company, with no assets or liabilities, formed for the sole purpose of merging with and into reorganized LMFIC.

"Liberty Mutual Holding Company" shall mean Liberty Mutual Holding Company, a Massachusetts mutual insurance holding company.

"Liberty Mutual Holding Company Subsidiary" shall mean a Subsidiary of Liberty Mutual Holding Company.

"Liberty Mutual Holding Company Insurer Subsidiary" shall mean each Liberty Mutual Holding Company Subsidiary that is authorized to transact an insurance business.

"LMFIC" shall mean Liberty Mutual Fire Insurance Company, a Massachusetts mutual property and casualty insurance company.

"LMFIC Reorganization" shall refer to the reorganization of LMFIC pursuant to §175:19T of the Massachusetts General Laws with Liberty Mutual Holding Company.

"Massachusetts General Laws" shall mean the general laws of the Commonwealth of Massachusetts.

"Material Adverse Effect" shall mean a material adverse effect on the business, financial condition or results of operations of the businesses of Liberty Mutual Holding Company, Liberty Mutual Holding Company Subsidiaries or LMFIC, as applicable, taken as a whole; provided, however, that the following shall be excluded from the definition of "Material Adverse Effect" and from any determination as to whether such Material Adverse Effect has occurred or may occur: the effects of changes that are generally applicable to (1) the property and casualty insurance and/or brokerage industries (including, without limitation, the impact of natural catastrophes) or (2) any material change in the financial, banking, currency or capital markets in general (either in the United States or any international market).

"Member" shall mean a Person appearing as the named insured on a Policy (or as principal if the Policy is a surety bond or obligation) issued by LMFIC (or Reorganized LMFIC on and after the Effective Date), based on LMFIC's records (or based on Reorganized LMFIC's records on and after the Effective Date).

"MHC Merger Agreement" shall mean the merger agreement dated _____, 2001 by and between Liberty Mutual Holding Company and EIOW MHC, as such agreement may be amended from time to time.

"Person" shall mean an individual, corporation, partnership, association, joint stock company, limited liability company, limited liability partnership, trust, government agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee, or fiduciary, or any similar entity.

"Plan of Reorganization" shall mean the plan of reorganization of LMFIC attached hereto as Schedule 1.1.

"Policy" shall mean each insurance policy or contract (other than a reinsurance contract), including any fidelity bond or any surety bond, or any binder or a renewal certificate issued by LMFIC (or Reorganized LMFIC on and after the Effective Date) in the course of business and not terminated.

"Policyholder" shall mean the holder of a Policy.

"Reorganized LMFIC" shall refer to LMFIC on and after the Effective Date, as a Massachusetts reorganized stock insurance company and a wholly-owned subsidiary of Liberty Mutual Holding Company.

"Required Filings and Approvals" shall mean (i) the filing of this Agreement with and the approval of such by the insurance departments, and such other applications, registrations, declarations, filings, authorizations, orders, consents and approvals as may be reasonably required to be made or obtained prior to consummation of the transactions contemplated hereby under the insurance laws of any jurisdiction, (ii) the approval of this Agreement by the members of Liberty Mutual Holding Company and LMFIC, (iii) consents, authorizations, approvals, filings or exemptions in respect of the transactions contemplated hereby required to be made or obtained prior to consummation of the transactions contemplated hereby for compliance with the applicable provisions of state and federal securities laws, and (iv) the filing of premerger notification reports by Liberty Mutual Holding Company and LMFIC under the HSR Act and the expiration or early termination of any applicable waiting period thereunder.

"Subsidiary" of a Person means any Person with respect to whom such specified Person, directly or indirectly, beneficially owns fifty percent or more of the equity interests in, or holds the voting control of fifty percent or more of the equity interests in, such Person.

ARTICLE 2

THE REORGANIZATION AND COMBINATION

Section 2.1 Reorganization of LMFIC to Stock Insurer. (a) Pursuant to the Plan of Reorganization, LMFIC has agreed to reorganize to a Massachusetts stock insurance company pursuant to §175:19T of the Massachusetts General Laws.

(b) Pursuant to the Plan of Reorganization, LMFIC shall have become a Massachusetts stock insurer. Reorganized LMFIC shall be a continuation of the corporate existence of LMFIC and its articles of organization and by-laws shall be the amended and restated articles of organization and by-laws set forth in the Plan of Reorganization, as they may thereafter be amended.

Section 2.2 The Combination. Upon the terms and subject to the conditions set forth in this Agreement, the following transaction shall be consummated upon the consummation of the LMFIC Reorganization or as soon thereafter as is reasonably practicable, and such transaction shall be effective as of the Effective Date:

(i) Liberty Insurance Acquisition Corp. shall merge with and into Reorganized LMFIC, with Reorganized LMFIC being the surviving entity; and

(ii) All of the shares of voting stock of Reorganized LMFIC shall be issued to Liberty Mutual Holding Company.

Section 2.3 Extinguishment and Replacement of Equity Rights.

(a) Upon the Effective Date, all rights of any person to vote, including (i) the right to vote in the election of directors or at annual or special meetings of Reorganized LMFIC, (ii) the right to share in any distribution of, or to receive consideration based upon, the surplus of Reorganized LMFIC in liquidation or winding up, in dissolution or conservation or otherwise under the Massachusetts General Laws or the charter or bylaws of LMFIC or otherwise by law, and (iii) the right to dividends as, if and when determined by the Board of Directors of LMFIC, shall be extinguished.

(b) On the Effective Date, the Members of LMFIC shall immediately become Members of Liberty Mutual Holding Company; provided, however, that the rights of a Person as a Member shall continue only so long as the related Policy remains In Force.

(c) Holders of Policies that are In Force on the Effective Date shall, by operation of law, as of the Effective Date have Equity Rights in Liberty Mutual Holding Company; provided, however, that the rights of a Person as a holder of Equity Rights shall continue only so long as the related Policy remains In Force.

(d) Holders of Policies that are issued after the Effective Date by Reorganized LMFIC shall be Members of Liberty Mutual Holding Company and holders of Equity Rights in Liberty Mutual Holding Company. The rights of a Person as a Member of Liberty Mutual Holding Company or as holder of Equity Rights shall continue only so long as the related Policy remains In Force.

Section 2.4 Voting Stock. From the Effective Date, at least fifty-one percent (51%) of the issued and outstanding voting stock of Reorganized LMFIC

shall be owned, at all times, directly or indirectly, by Liberty Mutual Holding Company, and at least fifty-one percent (51%) of the issued and outstanding voting stock of any intermediate stock holding company shall be owned, at all times, directly or indirectly, by Liberty Mutual Holding Company.

Section 2.5 Effective Date. Upon the terms and subject to the conditions of this Agreement, the parties hereto will use all reasonable efforts to assure that all necessary filings are made and all necessary approvals are obtained as are necessary to bring the transactions contemplated hereby into effect, and the Combination shall be effective at the date and time specified in such filings (the "Effective Date"). Upon the terms and subject to the conditions of this Agreement, the parties hereto will use all reasonable efforts to assure that the filings contemplated hereby are made, and that the Effective Date occurs, as soon as is practicable.

ARTICLE 3

THE CLOSING

Section 3.1 Closing. The closing of the Combination (the "Closing") will take place simultaneously with the closing of the LMFIC Reorganization or as soon thereafter as is reasonably practicable, at 10:00 a.m. at the offices of Skadden, Arps, Slate, Meagher & Flom LLP at One Beacon Street, Boston, Massachusetts or such other location mutually agreed to by the parties, on a date to be specified by the parties (the "Closing Date").

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF LIBERTY MUTUAL HOLDING COMPANY

Liberty Mutual Holding Company represents and warrants to LMFIC as follows:

Section 4.1 Organization and Qualification. (a) Liberty Mutual Holding Company is a mutual insurance holding company duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts and has the requisite corporate power and authority to conduct its business as it is currently being conducted. Each Liberty Mutual Holding Company Subsidiary is a

corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the requisite corporate power and authority to conduct its business as it is currently being conducted. Liberty Mutual Holding Company and each of the Liberty Mutual Holding Company Subsidiary is duly qualified to do business, and is in good standing, in the respective jurisdictions where the character of its assets owned or leased or the nature of its business requires such qualification, except for the failures to be so qualified or in good standing which would not, individually or in the aggregate, have a Material Adverse Effect. Each Liberty Mutual Holding Company Subsidiary is listed on Schedule 4.1(a).

(b) Each Liberty Mutual Holding Company Insurer Subsidiary possesses an Insurance License in each jurisdiction in which such Liberty Mutual Holding Company Insurer Subsidiary is required to possess an Insurance License. Neither Liberty Mutual Holding Company nor any Liberty Mutual Holding Company Subsidiary has Knowledge of any event, proceeding or investigation which would reasonably be expected to lead to the revocation, amendment, failure to renew, limitation, suspension or restriction of any Insurance License and which would have a Material Adverse Effect. Each Liberty Mutual Holding Company Insurer Subsidiary is listed in Schedule 4.1(b).

(c) Copies of the articles of organization and by-laws of Liberty Mutual Holding Company have heretofore been delivered to LMFIC and copies of the articles of organization and by-laws of each of the Liberty Mutual Subsidiaries have heretofore been delivered or made available to LMFIC, and all such copies are accurate and complete as of the date hereof.

Section 4.2 Authorization. Liberty Mutual Holding Company has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly approved and authorized by the Board of Directors of Liberty Mutual Holding Company. Except for the approval of this Agreement by the affirmative vote of no less than two-thirds of the votes cast by members of Liberty Mutual Holding Company entitled to vote on the LMFIC Reorganization, no other corporate proceedings on the part of Liberty Mutual Holding Company are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Liberty Mutual Holding Company and (assuming this Agreement is a legal, valid and binding obligation of LMFIC) constitutes a legal, valid and binding agreement of Liberty Mutual Holding Company enforceable against Liberty Mutual Holding Company in accordance with

its terms, except that (i) such enforcement may be subject to bankruptcy, rehabilitation, liquidation, conservation, dissolution, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 4.3 Consents and Approvals of Government Agencies.

Other than Required Filings and Approvals, no consent, approval, order or authorization of, or registration, application, declaration, or filing (collectively, "Consents or Filings") with any Person is required with respect to Liberty Mutual Holding Company or any Liberty Mutual Holding Company Subsidiary in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, except for any Consent or Filing, the failure to obtain or do which would not (A) cause any Insurance License held by a Liberty Mutual Holding Company Insurer Subsidiary to fail to be in full force and effect without amendment, limitation or condition of any kind, or (B) individually or in the aggregate, have a Material Adverse Effect.

Section 4.4 No Violation. The execution, delivery and performance of this Agreement by Liberty Mutual Holding Company and the consummation of the transactions contemplated hereby will not (i) violate any provision of the articles of organization or the by-laws of Liberty Mutual Holding Company or of any of the Liberty Mutual Subsidiaries, (ii) violate, conflict with, result in a breach of any provision of, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, result in the termination of or accelerate the performance required by, result in a right of termination or acceleration under, or result in the creation of any lien upon any of the assets of Liberty Mutual Holding Company or of any of the Liberty Mutual Subsidiaries under, any of the terms, conditions or provisions of any contract to which Liberty Mutual Holding Company or any such Liberty Mutual Holding Company Subsidiary is a party or to which it or any of its assets may be subject or (iii) constitute a breach or violation of or default under any Insurance License or any other license that is material to the business of Liberty Mutual Holding Company or any Liberty Mutual Holding Company Subsidiary or law to which Liberty Mutual Holding Company or any Liberty Mutual Holding Company Subsidiary is subject, excluding from the foregoing clauses (ii) and (iii) violations, breaches or defaults that would not individually or in the aggregate have a Material Adverse Effect, except as disclosed on Schedule 4.4.

Section 4.5 Financial Statements. Liberty Mutual Holding Company has previously delivered to LMFIC true and complete copies of the Liberty Mutual Group Financial Statements. Each of the Liberty Mutual Group Financial Statements was (and, as to Financial Statements not yet provided, will be) prepared in accordance with GAAP, and each presents (and, as to Financial Statements not yet provided, will present) fairly in all material respects the financial condition, results of operations and changes in surplus of Liberty Mutual Holding Company and its consolidated Subsidiaries as of the dates or for the periods covered thereby, in conformity with GAAP.

Section 4.6 Absence of Certain Changes or Events. Since [DATE], each of Liberty Mutual Holding Company and the Liberty Mutual Subsidiaries has conducted its business only in the ordinary course, consistent with past practice, and (i) there has not occurred any event, change or development which individually or in the aggregate would have a Material Adverse Effect, (ii) there has not been any setting aside or payment of any dividend or other distribution by Liberty Mutual Holding Company to its members other than regular dividends consistent with past practice, (iii) there have not been any changes in the articles of organization or by-laws of Liberty Mutual Holding Company and (iv) there has not been any damage, destruction or loss, whether covered by insurance or not, which would have a Material Adverse Effect.

Section 4.7 No Undisclosed Liabilities. Since [DATE], neither Liberty Mutual Holding Company nor any Liberty Mutual Holding Company Subsidiary incurred any Liabilities, other than (i) Liabilities incurred in the ordinary course of business, consistent with, past practice or (ii) Liabilities that, individually or in the aggregate, would not be material to Liberty Mutual Holding Company and the Liberty Mutual Subsidiaries taken as a whole, except as disclosed on Schedule 4.7.

Section 4.8 Litigation. Except as set forth in Schedule 4.8, there are no proceedings or investigations pending nor, to the Knowledge of Liberty Mutual Holding Company and the Liberty Mutual Subsidiaries, threatened, against, relating to, involving or otherwise affecting Liberty Mutual Holding Company or any Liberty Mutual Holding Company Subsidiary that individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF LIBERTY INSURANCE ACQUISITION CORPORATION

Liberty Insurance Acquisition Corp. represents and warrants to LMFIC as follows:

Section 5.1 Organization and Qualification. (a) Liberty Insurance Acquisition Corp. is a stock company duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts and has the requisite corporate power and authority to conduct its business as it is currently being conducted.

(b) Copies of the articles of organization and by-laws of Liberty Insurance Acquisition Corp. have heretofore been delivered to LMFIC and all such copies are accurate and complete as of the date hereof.

Section 5.2 Authorization. Liberty Insurance Acquisition Corp. has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly approved and authorized by the Board of Directors of Liberty Insurance Acquisition Corp. No other corporate proceedings on the part of Liberty Insurance Acquisition Corp. are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Liberty Insurance Acquisition Corp. and (assuming this Agreement is a legal, valid and binding obligation of LMFIC) constitutes a legal, valid and binding agreement of Liberty Insurance Acquisition Corp. enforceable against Liberty Insurance Acquisition Corp. in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, rehabilitation, liquidation, conservation, dissolution, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 5.3 Consents and Approvals of Government Agencies. Other than Required Filings and Approvals, no Consents or Filings with any Person is required with respect to Liberty Insurance Acquisition Corp. in connection with the

execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

Section 5.4 No Violation. The execution, delivery and performance of this Agreement by Liberty Insurance Acquisition Corp. and the consummation of the transactions contemplated hereby will not violate any provision of the articles of organization or the by-laws of Liberty Insurance Acquisition Corp.

Section 5.5 No Undisclosed Liabilities. Since the date of its incorporation, Liberty Insurance Acquisition Corp. has not incurred any Liabilities.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF LIBERTY MUTUAL FIRE INSURANCE COMPANY

LMFIC represents and warrants to Liberty Mutual Holding Company as follows:

Section 6.1 Organization and Qualification. (a) LMFIC is a mutual insurance company duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts and has the requisite corporate power and authority to conduct its business as it is currently being conducted. LMFIC is duly qualified to do business, and is in good standing, in the respective jurisdictions where the character of its assets owned or leased or the nature of its business requires such qualification, except for the failures to be so qualified or in good standing which would not, individually or in the aggregate, have a Material Adverse Effect.

(b) LMFIC possesses an Insurance License in each jurisdiction in which LMFIC is required to possess an Insurance License. LMFIC has no Knowledge of any event, proceeding or investigation which would reasonably be expected to lead to the revocation, amendment, failure to renew, limitation, suspension or restriction of any Insurance License and which would have a Material Adverse Effect.

(c) Copies of the articles of organization and by-laws of LMFIC have heretofore been delivered to Liberty Mutual Holding Company and all such copies are accurate and complete as of the date hereof.

Section 6.2 Authorization. LMFIC has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly approved and authorized by the Board of Directors of LMFIC. Except for the approval of this Agreement by the affirmative vote of no less than two-thirds of the votes cast by members of LMFIC entitled to vote on the LMFIC Reorganization, no other corporate proceedings on the part of LMFIC are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by LMFIC and (assuming this Agreement is a legal, valid and binding obligation of Liberty Mutual Holding Company) constitutes a legal, valid and binding agreement of LMFIC enforceable against LMFIC in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, rehabilitation, liquidation, conservation, dissolution, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 6.3 Consents and Approvals of Government Agencies. Other than Required Filings and Approvals, no Consents or Filings with any Person is required with respect to LMFIC in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, except for any Consent or Filing, the failure to obtain or do which would not (A) cause any Insurance License held by LMFIC to fail to be in full force and effect without amendment, limitation or condition of any kind, or (B) individually or in the aggregate, have a Material Adverse Effect.

Section 6.4 No Violation. The execution, delivery and performance of this Agreement by LMFIC and the consummation of the transactions contemplated hereby will not (i) violate any provision of the articles of organization or the by-laws of LMFIC, (ii) violate, conflict with, result in a breach of any provision of, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, result in the termination of or accelerate the performance required by, result in a right of termination or acceleration under, or result in the creation of any lien upon any of the assets of LMFIC under, any of the terms, conditions or provisions of any contract to which LMFIC is a party or to which it or any of its assets may be subject or (iii) constitute a breach or violation of or default under any Insurance License or any other license that is material to the business of LMFIC or law to which LMFIC is subject, excluding from the foregoing

clauses (ii) and (iii) violations, breaches or defaults that would not individually or in the aggregate have a Material Adverse Effect, except as disclosed on Schedule 6.4.

Section 6.5 Financial Statements. LMFIC has previously delivered to Liberty Mutual Holding Company true and complete copies of the LMFIC Financial Statements. Each of the LMFIC Financial Statements was (and, as to Financial Statements not yet provided, will be) prepared in accordance with GAAP, and each presents (and, as to Financial Statements not yet provided, will present) fairly in all material respects the financial condition, results of operations and changes in surplus of LMFIC as of the dates or for the periods covered thereby, in conformity with GAAP.

Section 6.6 Absence of Certain Changes or Events. Since [DATE], LMFIC has conducted its business only in the ordinary course, consistent with past practice, and (i) there has not occurred any event, change or development which individually or in the aggregate would have a Material Adverse Effect, (ii) there has not been any setting aside or payment of any dividend or other distribution by Liberty Mutual Holding Company to its members other than regular dividends consistent with past practice, (iii) there have not been any changes in the articles of organization or by-laws of LMFIC and (iv) there has not been any damage, destruction or loss, whether covered by insurance or not, which would have a Material Adverse Effect.

Section 6.7 No Undisclosed Liabilities. Since [December 31, 2000], LMFIC has not incurred any Liabilities, other than (i) Liabilities incurred in the ordinary course of business, consistent with, past practice or (ii) Liabilities that, individually or in the aggregate, would not be material to LMFIC taken as a whole, except as disclosed on Schedule 6.7.

Section 6.8 Litigation. Except as set forth in Schedule 6.8, there are no proceedings or investigations pending nor, to the Knowledge of LMFIC, threatened, against, relating to, involving or otherwise affecting LMFIC that individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

ARTICLE 7

CERTAIN COVENANTS

Section 7.1 Conduct of Business Pending the LMFIC Reorganization and Combination. Each of Liberty Mutual Holding Company, Liberty Insurance Acquisition Corp. and LMFIC covenants and agrees as to itself (and with respect to Liberty Mutual Holding Company, also its Subsidiaries) that, from and after the date hereof up to and including the Effective Date, unless the other party shall otherwise agree in writing or as otherwise expressly permitted or contemplated by this Agreement or required by law:

(a) Such party's business (and with respect to Liberty Mutual Holding Company, also its Subsidiaries' businesses) shall be conducted only in the ordinary course in substantially the same manner as heretofore conducted, such party (and with respect to Liberty Mutual Holding Company, also its Subsidiaries) shall use all reasonable efforts to preserve intact their respective present business organizations, keep available the services of their respective present officers and employees and preserve their respective relationships with policyholders, insureds, agents, brokers, suppliers and others having business dealings with them to the end that their respective goodwill and ongoing businesses shall not be impaired in any material respect.

(b) Such party (or, with respect to Liberty Mutual Holding Company, also its Subsidiaries) shall declare, set aside or pay any dividend or make any similar distribution other than regular dividends declared and paid in a manner consistent with past practice without prior disclosure to and approval by the other party, which approval shall not be unreasonably withheld.

(c) Such party shall not make or propose to make (nor, with respect to Liberty Mutual Holding Company, shall permit any of its Subsidiaries also to make or propose to make) any change in its dividend, underwriting, investment and other material insurance practices in any respect which is material to the condition of such party (and with respect to Liberty Mutual Holding Company, also its Subsidiaries) taken as a whole.

Section 7.2 Member Approval.

(a) As soon as is practicable following the date hereof, each of Liberty Mutual Holding Company and LMFIC shall duly call, give notice of,

convene and hold a special meeting of its members who under Massachusetts law are eligible to vote with respect to the LMFIC Reorganization and Combination for the purpose of considering and approving this Agreement. Notice of the meetings of the members of each of Liberty Mutual Holding Company and LMFIC shall be accompanied by a copy of this Agreement pursuant to the requirements of Massachusetts law. The Board of Directors of each of Liberty Mutual Holding Company and LMFIC will recommend that the respective members of Liberty Mutual Holding Company and LMFIC vote in favor of this Agreement and will use its respective best efforts to solicit such members to vote in favor of this Agreement and to take all other actions reasonably necessary or advisable to secure the votes of the members of each of Liberty Mutual Holding Company and LMFIC which are required in order to approve this Agreement and effect the LMFIC Reorganization and Combination.

Section 7.3 Government Approvals. As soon as practicable after the date hereof, each of Liberty Mutual Holding Company and LMFIC shall apply for or obtain any necessary consent, satisfaction, or approval of the Commissioner, for, regarding, or of the LMFIC Reorganization and Combination. Each of Liberty Mutual Holding Company and LMFIC shall use its reasonable efforts to secure such consent, satisfaction, or approval of the Commissioner, for, regarding or of the LMFIC Reorganization and Combination.

Section 7.4 Plan of Reorganization. LMFIC shall not amend or modify the Plan of Reorganization adopted by the Board of Directors of LMFIC setting forth the appropriate proceedings for amending LMFIC's articles of organization to give effect to the reorganization from a mutual insurer into a stock corporation without the prior written consent of Liberty Mutual Holding Company.

Section 7.5 Cooperation. Liberty Mutual Holding Company and LMFIC shall use their respective best efforts to secure all other governmental and regulatory approvals as may be necessary or desirable to comply with the laws of any governmental instrumentality with respect to the transactions contemplated by this Agreement. Each of the parties shall cooperate with each other by furnishing any additional information and executing and delivering any additional documents as may be reasonably requested by the other party to further perfect or evidence the consummation of, or otherwise implement, the LMFIC Reorganization and Combination.

ARTICLE 8

CONDITIONS TO CLOSING

Section 8.1 Conditions to Closing. The consummation of the transactions contemplated hereby is subject to the satisfaction of the following conditions:

(i) Approval by a vote of not less than two-thirds of the Members of Liberty Mutual Holding Company voting on the LMFIC Reorganization at a meeting of the Members of Liberty Mutual Holding Company called for that purpose;

(ii) Approval by a vote of not less than two-thirds of the Members of LMFIC voting on the LMFIC Reorganization and receipt of two thirds of the votes cast at a meeting of the Members of LMFIC called for that purpose;

(iii) The waiting period applicable to the consummation of the Combination under the HSR Act shall have expired or been terminated;

(iv) Approval of the Plan of Reorganization, including the amended and restated articles of organization and bylaws of Reorganized LMFIC by the Commissioner;

(v) Receipt of (a) a "no-action" letter from the Securities and Exchange Commission relating to matters pertaining to the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or (b) an opinion of independent legal counsel in form and substance satisfactory to the Board of Directors of Liberty Mutual Holding Company and LMFIC, respectively, with respect to federal and state securities law matters;

(vi) Receipt of approvals from Canadian securities regulators necessary to permit the issuance of Equity Rights to Members who reside in Canada and to Canadian Policyholders who are issued Policies by Reorganized LMFIC after the Effective Date;

(vii) Issuance by the Commissioner to LMFIC of the Certificate of Authority as Reorganized LMFIC, a reorganized property and

casualty stock insurer, granting Reorganized LMFIC the authority under Massachusetts law to continue conducting its insurance business;

(viii) Satisfaction of all the conditions to the consummation of the transactions contemplated by the MHC Merger Agreement by and between Liberty Mutual Holding Company and ELOW MHC; provided, however, with respect to the condition set forth in this subsection (viii) only, it may be waived by the Board of Directors of Liberty Mutual Holding Company and LMFIC;

(ix) Receipt of all other material consents, approvals or waivers of all Governmental Entities necessary for the consummation of the LMFIC Reorganization.

(x) All permits, regulatory consents, approvals or clearances necessary for or in connection with the consummation of the Combination shall have been obtained, and no Governmental Entity having jurisdiction over the business of Liberty Mutual Holding Company or its Subsidiaries shall have imposed any condition to such approval, other than conditions that involve solely ministerial acts and/or routine reporting requirements.

(xi) No Governmental Entity or third party shall have commenced any proceeding seeking a temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated hereby, or damages other than any such proceeding which, in the judgment of Liberty Mutual Holding Company and LMFIC, would not be reasonably likely to materially interfere with the consummation of the transactions contemplated hereby; provided that, if applicable, Liberty Mutual Holding Company and LMFIC shall have used their reasonable efforts to have such proceeding dismissed or terminated.

Section 8.2 Conditions to Obligation of LMFIC to Effect the LMFIC Reorganization and Combination. The obligation of LMFIC to effect the LMFIC Reorganization and Combination shall be subject to the fulfillment at or prior to the Effective Date of the following additional conditions:

(a) Liberty Mutual Holding Company shall have performed and complied in all material respects with all obligations and agreements required to be performed and complied with by it under this Agreement at or prior to the Effective

Date and LMFIC shall have received an Officers' Certificate from Liberty Mutual Holding Company as to the satisfaction of this condition.

(b) The representations and warranties of Liberty Mutual Holding Company and Liberty Insurance Acquisition Corp. contained in this Agreement shall be true and correct in all material respects at and as of the date of this Agreement and at and as of the Effective Date as if made at and as of such date and time, except as otherwise contemplated or permitted by this Agreement (it being understood that the truth and correctness of any such representations and warranties made as of a specified date shall be determined only as of such specified date) and LMFIC shall have received an Officers' Certificate from Liberty Mutual Holding Company as to the satisfaction of this condition.

(c) LMFIC shall have obtained either (i) a private letter ruling from the Internal Revenue Service that is in force on the Effective Date or (ii) an opinion of special tax counsel to LMFIC, dated as of the Effective Date, in either case, substantially to the effect that, for United States federal income tax purposes, the Combination will qualify as a reorganization under section 368(a) of the Code.

Section 8.3 Conditions to Obligation of Liberty Mutual Holding Company to Effect the LMFIC Reorganization and Combination. The obligation of Liberty Mutual Holding Company to effect the LMFIC Reorganization and Combination shall be subject to the fulfillment at or prior to the Effective Date of the following additional conditions:

(a) LMFIC shall have performed and complied in all material respects with all obligations and agreements required to be performed and complied with by it under this Agreement at or prior to the Effective Date and Liberty Mutual Holding Company shall have received an Officers' Certificate from LMFIC as to the satisfaction of this condition.

(b) The representations and warranties of LMFIC contained in this Agreement shall be true and correct in all material respects at and as of the date of this Agreement and at and as of the Effective Date as if made at and as of such date and time, except as otherwise contemplated or permitted by this Agreement (it being understood that the truth and correctness of any such representations and warranties made as of a specified date shall be determined only as of such specified date) and Liberty Mutual Holding Company shall have received an Officers' Certificate from LMFIC as to the satisfaction of this condition.

(c) Liberty Mutual Insurance Company shall have obtained either (i) a private letter ruling from the Internal Revenue Service that is in force on the Effective Date or (ii) an opinion of special tax counsel to Liberty Mutual Insurance Company, dated as of the Effective Date, in either case, substantially to the effect that, for United States federal income tax purposes, the Combination will qualify as a reorganization under section 368(a) of the Code.

ARTICLE 9

TERMINATION

Section 9.1 Termination. This Agreement may be terminated and the transactions contemplated herein abandoned at any time prior to the Effective Date by mutual written consent of Liberty Mutual Holding Company and LMFIC.

Section 9.2 Effect of Termination. In the event of the termination of this Agreement pursuant to Section 9.1, this Agreement shall thereafter become void and have no further force or effect.

ARTICLE 10

MISCELLANEOUS PROVISIONS

Section 10.1 Costs and Expenses. Except as expressly otherwise provided herein, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be the obligation of the party incurring such costs or expenses.

Section 10.2 Notices. All notices, requests, demands, and other communications required or permitted to be given under this Agreement shall be given in writing and shall be deemed to have been given if delivered by hand, by facsimile, or by certified mail, postage pre-paid, to the parties at the following addresses:

If to Liberty Mutual Holding Company:

Liberty Mutual Holding Company
175 Berkeley Street
Boston, Massachusetts 02117
Attn: General Counsel
Facsimile: (617) 426-7125

If to Liberty Insurance Acquisition Corp.:

Liberty Insurance Acquisition Corporation
c/o Liberty Mutual Holding Company
175 Berkeley Street
Boston, Massachusetts 02117
Attn: General Counsel
Facsimile: (617) 426-7125

If to LMFIC:

Liberty Mutual Fire Insurance Company
[ADDRESS]
Attn: General Counsel
Facsimile:

Any party to this Agreement may by notice given in accordance with this Section 10.2 designate a new address for notices, requests, or other communications to such party.

Section 10.3 Invalidity. Unless the invalidity or unenforceability of any provision or portion thereof frustrates the intent of the parties or the purpose of this Agreement, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions or portions thereof. In the event that such provision shall be declared unenforceable by a court of competent jurisdiction, such provision or portion thereof, to the extent declared unenforceable, shall be stricken. However, in the event any such provision or portion thereof shall be declared unenforceable due to its scope, breadth or duration, then it shall be modified to the scope, breadth or duration permitted by law and shall continue to be fully enforceable as so modified.

Section 10.4 Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the parties hereto any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 10.5 Construction. The terms and conditions of this Agreement represent the results of bargaining and negotiations among the parties, and none of which has acted under duress or compulsion, whether legal, economic or otherwise, and represent the results of a combined draftsmanship effort. Consequently, the terms and conditions hereof shall be interpreted and construed in accordance with their usual and customary meanings, and the parties hereby expressly waive and disclaim in connection with the interpretation and construction hereof any rule of law or procedures requiring otherwise, specifically including but not limited to any rule of law to the effect that ambiguous or conflicting terms or conditions contained herein shall be interpreted or construed against the party which prepared this Agreement or any earlier draft hereof.

Section 10.6 Entire Agreement. This Agreement, together with each exhibit, agreement, certificate, and other document contemplated hereby, contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral among the parties, with respect to the subject matter hereof, and there are no agreements, representations, or warranties between the parties other than those set forth herein.

Section 10.7 Severability. If any provision of this Agreement shall be determined by a court of competent jurisdiction to be invalid or unenforceable in any jurisdiction, such determination shall not affect the validity or enforceability of the remaining provisions of this Agreement in such jurisdiction or affect the validity or enforceability of such provision in any other jurisdiction.

Section 10.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties hereto.

Section 10.9 Headings. The headings in this Agreement are for the convenience of reference only and shall not affect its interpretations.

Section 10.10 Governing Law. This Agreement shall be deemed to have been made under and governed by the laws of Massachusetts, without regard to Massachusetts' choice of law rules.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of Liberty Mutual Holding Company, Liberty Insurance Acquisition Corp. and LMFIC as of the date first above written.

LIBERTY MUTUAL HOLDING COMPANY

By _____
Name: _____
Title: _____

LIBERTY INSURANCE ACQUISITION CORPORATION

By _____
Name: _____
Title: _____

LIBERTY MUTUAL FIRE INSURANCE COMPANY

By _____
Name: _____
Title: _____